

Airports Economic Regulatory Authority of India

Order No. 31/2017-18

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110003

Date of Issue: 18th December, 2017

Service : Ground Handling Services.
Service Provider : M/s Bhadra International (India) Private limited.
Airport : Chennai International Airport, Chennai.

In the matter of Multi Year Tariff Proposal (MYTP) for the second control period (01.04.2016 to 31.03.2021) and Annual Tariff Proposal (ATP) (T1 to T3) for the second control period (01.04.2016 to 31.03.2021) in respect of M/s Bhadra International (India) Private limited (M/s Bhadra) for providing ground handling services at Chennai International Airport, Chennai.

सत्यमेव जयते

1. The Authority vide its Multi-Year Tariff Order (MYTO) No. 29/2011-12 dated 28.11.2011 (Issue date: 05.12.2011), decided to adopt 'Light Touch Approach' for determination of the tariffs for the first control period in respect of M/s Bhadra as the ground handling service was assessed as "Material but Competitive" and determination of tariff for the 1st tariff year (TY 2011-12 (T1)) of the 1st control period, at Chennai International Airport Chennai. Subsequently, the Authority also determined the annual tariffs for M/s Bhadra vide its Order No.36/2012-13 dated 10.01.2013 (Issue date: 29.01.2013) for the tariff year 2012-13(T2) and Order No. 8/2013-14 dated 26.04.2013 (Issue date: 10.05.2013) for tariff year 2013-14(T3).
2. Since the Multiyear tariff order for the 1st control period expired on 31.03.2016, the Authority vide its Order no. 50/2015-16 issued on 31st March 2016, authorised M/s Bhadra (among other service providers and Airport Operators) to continue to charge the tariffs prevalent on 31.03.2016 for a period of 6 months w.e.f 01.04.2016 or till determination of tariffs for the 2nd control period whichever is earlier. The Authority vide Order no. 11/2016-17 dated 29.09.2016 further extended the continuation of the levy of tariffs prevalent on 31.03.2016 for a period of 6 months w.e.f 01.10.2016 or till determination of the tariffs for the 2nd control period, whichever is earlier. Again on 31st March 2017, the Authority vide order no.19/2016-17, authorised M/s Bhadra (among other service providers and Airport Operators) to continue to charge the tariffs prevalent on 31.03.2016 for a period of 6 months w.e.f 01.04.2017 or till determination of tariffs for the 2nd control period whichever is earlier. The Authority has issued a further order on 29th Sept 2017 (Order no. 12/2017-18), authorizing M/s



Bhadra (among other service providers and Airport Operators) to continue levy of the tariffs for a further period of 6 months w.e.f. 01.10.2017 or till determination of tariffs for the 2nd control period whichever is earlier.

3. M/s Bhadra submitted their Multi Year Tariff Proposal (MYTP) for the second control period commencing on 01.04.2016 and the Annual Tariff Proposal (ATP) for the 1st tariff year (FY.2016-17) and 2nd tariff year (FY.2017-18) of the second control period(01.04.2016 to 31.03.2021) for determination of tariffs for the ground handling services provided at Chennai International Airport, Chennai. M/s Bhadra proposed for an increase in tariff applicable on 31.03.2016, in the 1st and 2nd tariff year of the 2nd control period.
4. In respect of the regulated service(s) provided for ground handling services aircraft, passengers and cargo at an airport, the Authority considers that materiality of the service is linked to the international aircraft movement at the major airport. The materiality shall be assessed based on international aircraft movement at the major airport as a percentage of total international aircraft movements at all major airports, in terms of Clause 4.4 of the Guidelines [The Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and Supply of Fuel to Aircraft) Guidelines, 2011]. The ground handling materiality index for Chennai International Airport, Chennai (as per the AAI ground handling statistics for FY.2014-15) is 10.47% which is more than 5% Materiality Index thresholds limit fixed for ground handling service. Hence the service is deemed **'material'**.
5. As per AERA order no.15/2016-17 dated 10th February, 2017, there must be three or more service providers, including Air India subsidiaries/Joint Ventures, in a major airport in order to consider the service as competitive. At Chennai International Airport, Chennai, only M/s AIATSL is providing ground handling services along with M/s Bhadra, hence, the service provided by M/s Bhadra at Chennai International airport falls under the category of **'not competitive'**.
6. As per Clause 3.2 (iii) of the CGF Guidelines, 2011, wherever the regulated service provided is 'material and not competitive', but where the Authority is assured of the reasonableness of the existing user agreement(s), the authority shall determine Tariff(s) for service Provider (s) based on a 'light touch approach' for the duration of the control period, according to the provisions of chapter V of the Guidelines.
7. Along with the Multi Year tariff proposal for the second control period, M/s Bhadra has submitted copies of agreements entered into with agencies/airlines for provision of regulated services at Chennai International Airport, Chennai. The Authority has also accepted the request for confidentiality of documents to the extent requested by M/s Bhadra.
8. As per Clause 11.2 of the CGF Guidelines, 2011, the ATP is required to be submitted in the manner and form provided in AL8.1 of Appendix I to the guidelines and should be supported by the following documents:



- a. Form B –Submission of ATP
- b. Form 14(b)-Proposed Tariff Card
- c. Details of consultation with stakeholders
- d. Evidence of User Agreements clearly indicating the Tariff proposed by the Service Provider.

M/s Bhadra has submitted Form B, Form 14(b) and copy of the user agreements with their Annual Tariff Proposal for the 1st tariff year (FY 2016-17) and 2nd tariff year (FY 2017-18) of the 2nd control period.

9. The Authority considered the submissions made by M/s Bhadra and issued the Consultation Paper No. 23/2017-18 dated 12.09.2017 proposing the following for stakeholder consultation:
 - (i) Ground Handling Service being provided by M/s Bhadra at Chennai International Airport, Chennai is "Material but not competitive". M/s Bhadra has submitted their concession agreement and user agreements. Therefore the Authority proposes to adopt 'Light Touch Approach' for determination of tariffs for the 2nd control period w.e.f. 01.04.2016 to 31.03.2021.
 - (ii) In view of the increase in Aircraft movement and increase in projected revenue, allow the continuation of tariff prevailing on 31.03.2014, which was applicable in the year 2015-16 also, in the year 2016-17.
 - (iii) Consider the Annual Tariff Proposal for 2017-18 for the purpose of determination of tariff for the year 2017-18. The Authority has proposed not to allow any increase in rates charged by M/s Bhadra effective as on 31.03.2014, for TY 2017-18 also due to the reason that rates actually charged by M/s Bhadra are much lower than the rates determined by AERA in the 1st control period as effective till 31.03.2014 and continued till year 2015-16.
10. In response to the aforesaid Consultation Paper, the following comments have been received from ACAAI whereby it has been suggested that no increase be allowed to M/s Bhadra at Chennai International Airport:
 - 10.1 There has been no positive change or improvement in their performance since the last time the tariff was increased.
 - 10.2 There is acute shortage of manpower and equipment for servicing the trade. The existing equipment is damaged or very old.
 - 10.3 No standard operating procedure (SOP) has been put in place or implemented by them.
 - 10.4 There is perennial congestion in the examination area due to the non-movement of cargo on a 24X7 basis.
 - 10.5 Very poor standard of cargo handling and pilferage of cargo.



- 10.6 The segregation of cargo is often completed after more than 12 hours. The standard of the handling of cargo is extremely poor, and damage to cargo is a regular feature.
11. Thereafter in response to ACAAI's comments, M/s Bhadra and M/s AAI, Chennai submitted their responses which are stated below:
- 11.1 **BHADRA'S RESPONSE** (vide letter no. Bhadra/GH/AERA/Chennai/2017-18 dt.22.11.2017) :
- 11.1.1 Our services primarily are to the Customer Airlines which is based on the Standard Ground Handling Agreements and Service Level Agreements entered with the respective airlines. We are rendering services to all our Customer airlines to their utmost satisfaction.
- 11.1.2 In as much as the activities are concerned, our services in the "Export Cargo Terminal" are in the whole Cargo Warehouse area which involves building up of Pallets, Containerisation and bulk cargo etc. before handing over to the respective Airlines or their authorized handlers for carting and subsequent loading in the Aircraft. Thus our services to the "Air Cargo Agents" are mostly in the Truck Dock Area of Export Cargo Terminal which to a great extent is attributable to the limited time period, utilized by the Agents in bringing their Cargo between 15.00 hrs to 20.00 hrs, although BIIL, AAI the custodian, and customs work 24x7 at this Terminal. Thus this is a crisis created by the Agents and had been going on for years, in spite of best efforts put in by AAI and Bhadra asking the Agents to bring their respective consignments during the early hours also.
- 11.1.3 In regard to the Import Cargo handling, BIIL is clearing 95% of the cargo de-stuffing activities which also includes segregation and binning in close cooperation with AAI. In addition to this activity, BIIL is providing "custodian related functions" on behalf of AAI to the Cargo Agents. Here also it is mostly, the Agents who take their own time in getting their Cargo appraised by the Customs and taking delivery.
- 11.1.4 As a matter of fact after BIIL started handling in Chennai Air Cargo Terminal, the pilferage in the Import handling has been totally brought under control and is virtually NIL and the allegation by ACAAI seems to be without any base.
- 11.1.5 Bhadra India International Ltd (BIIL) has entered into Standard Operating Procedure (SOP) with AAI for import Cargo handling services and we are rendering satisfactory performance in terms of the SOP to the trade.
- 11.1.6 Since the comments of ACAAI also involves infrastructure related issues and custodian functions, we therefore, kindly request that you may like to seek the comments from AAI Chennai Airport as well to have a fair view on the whole issue.
- 11.2 **AAI, CHENNAI'S RESPONSE** (vide letter no. AAM/CARGO/3101/2017/2945 dt.15.11.2017):
- 11.2.1 The last control period for tariff revision was from April 2013 to March 2016. The total volume of cargo handled in 2013-14 was only 2, 20,401 MT whereas from 2013-14 onwards the volumes of cargo has increased to 2, 44,000 in 2015-16 and to 3, 05,030 in 2016-17. The huge growth in the volume of cargo



has been handled without any service deficiencies or backlog on a day to day basis. Therefore, we do not agree with the observation that there has been no positive change or improvement in the performance since the last time tariff was increased. The increase in the volume of cargo and the day to day performance speak for itself.

- 11.2.2 There could have been shortage of manpower on rare occasions due to public holidays, festivals, etc. As far as equipment are concerned, there are adequate number of various handling equipment with both the terminal operator and the GHA for carrying out the required functions on a day to day basis. There has been no instance during the control period that any cargo related activity was "held up" or remained incomplete due to shortage of manpower or equipment.
- 11.2.3 All cargo related activities are carried out on the basis of Standard Operating Procedures (SOPs). In fact, SOPs are an integral part of our day to day operations based on which all agencies including the GHA in the cargo terminal carry out their respective functions.
- 11.2.4 The observation of ACAAI is not true. The export terminal has a capacity to handle 400 MT of cargo a day against the existing incoming of 300-350 MT per day. If at all there is any congestion that is due to the agents dumping the cargo in the export terminal during holidays without getting them customs cleared for further processing. This fact has been discussed with all stakeholders including ACAAI at many times. It is a matter of fact that the ACAAI agents bring export cargo only between 1500 hours to 2000 hours during the day though AAI, Customs and the GHA work on 24x7 basis. At Chennai, it is only the terminal operator (AAI), GHA M/s Bhadra and Customs work on 24x7 basis. The ACAAI agents do not work on 24x7 basis to complete the customs clearance of cargo which is brought by them during the day time between 1500 hours to 2000 hours. The non-clearance of Export cargo brought by ACAAI agents cause for congestion. The blame for this can't be attributed only on the GHA.
- 11.2.5 The air cargo handling at Chennai Airport is probably the best in the country and there has been no pilferage as alleged by ACAAI in the Air Cargo Complex. These are wild allegations without any substance in it.
- 11.2.6 The segregation of cargo is carried out as per the laid down performance parameters:
- (i) The flight with less than 10MT of cargo is completed within 4 hours.
 - (ii) The flight with more than 10MT but less than 20 MT of cargo is completed within 6 to 8 hours.
 - (iii) Any flight carrying more than 20 MT of cargo, takes 8 to 12 hours for its segregation completion.

Our experience is that 90 to 95% of performance parameters are met in completing the segregation of cargo. It may be true that a few odd cases in a year may go beyond the laid down parameters due to holidays, computer system problems, weather conditions, etc. In fact, AAI provides 48 hours free period to ACAAI agent after the completion of segregation of import cargo for its clearance. The standard of handling of cargo is neither poor nor bad. However, it can be improved with further improvements in the infrastructure and automation. Damage to the cargo caused prior to its handing over to AAI by the airlines are recorded and there is a procedure adopted for attending the same. Further, there are no major damage cases reported on a day to day basis as alleged by ACAAI.



Examination of the stakeholder comments & responses of M/s Bhadra & AAI by the Authority:

The Authority has taken note of the responses given by M/s Bhadra & AAI to the points raised by ACAAI. The Authority decides to continue the existing tariff for FY 2017-18 as mentioned in the CP. The existing tariff applicable for FY 2017-18, as proposed in CP, will be applicable for FY 2018-19 also as only about 4 months are left in FY 2017-18.

ORDER

Upon careful consideration of material available on record, the Authority, in exercise of powers conferred by Section 13(1) (a) of The Airport Economic Regulatory Authority of India Act, 2008 hereby orders that:

- (i) The services provided by Bhadra, at Chennai International Airport, Chennai is "material and not competitive". However, M/s Bhadra has entered into reasonable agreements with the users of the services. Hence the Authority will adopt a "light touch approach" for determination of tariff for the 2nd Control Period w.e.f. 01.04.2016. The Authority has issued a CP on the subject. No stakeholder has raised any objection on the continuation of the existing tariff.
- (ii) The tariffs for the 1st tariff year (FY. 2016-17) of the second control period for ground handling services to continue at the rates prevailing as on 31.03.2014, which continued to the year 2015-16 also.
- (iii) The tariffs for the 2nd (01.04.2017 to 31.03.2018) and 3rd (01.04.2018 to 31.03.2019) tariff years of the 2nd control period is determined at the rates mentioned in **Annexure-I**. No increase is allowed in tariff rates for 2nd (01.04.2017 to 31.03.2018) and 3rd (01.04.2018 to 31.03.2019) tariff years of the 2nd control period due to the reason that rates actually charged by M/s Bhadra are much lower than the rates approved by AERA for the 1st control period.
- (iv) M/s Bhadra to ensure that the charges for both scheduled and non- scheduled flight will be same for 'similar class of aircraft'.
- (v) Tariff determined as above will be maximum tariff to be charged from the users of the ground handling service. No other charges to be levied over and above the approved tariff.

By the order of & in the Name of the Authority

AERA


(Puja Jindal)
Secretary

To

**M/s Bhadra International (India) Pvt. Ltd.,
42, Rani Jhansi (MM) Road,
Opposite Jhandewalan Mandir,
New Delhi - 110055
(Through: Shri Prem Bajaj, Chairman & Managing Director)**

**Copy to: Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan,
Safdarjung Airport New Delhi-110003.**

Order No. 31/2017-18 dated 18.12.2017



Page 6

ANNEXURE-I

**BHADRA INTERNATIONAL (INDIA) PVT LTD
CHENNAI INTERNATIONAL AIRPORT, CHENNAI
TARIFF CARD FOR FY 2017-18 and 2018-19**

Sl No	Tariff Heading	Conditions of Tariff
		Maximum Tariff Per Flight (in INR)
A-International		
a)	Passenger Flights	
	A 320 (Narrow Body)	125,208
	A300/310	155,100
	Wide Body (747/777)	202,100
b)	Freighter	
	Freighter	211,500
B-DOMESTIC		
a)	Passenger Flights	
	Learjet, Jet Stream, DH6, C560	12,600
	YAK40, CL60, F50, F27, F28, C750, AN24, ATR42, ATR72, HS748, HS125, DA90, G-2 to GB, TU124, TU134, CRJ, EM4, CV580, BAC111, BE2	20,250
	AN8, AN12, B737-100/200, IL18, DC9, MD82, F70, F100	36,000
	A320, A321, B727, B737-500 to 800, C130, MD83/87/88/90, TU154, TU104,	45,000
	B757, TU204, B707, C106	45,000
	A310, A300, A330, B767, IL62, IL76, DC8, 787-3	54,000
	A340, B777, DC10, IL86, IL96, MD11, L1011, B747, AN124	99,000
b)	Freighter	
	Freighter A310	74,730
	Freighter ATR	21,620

Note:

- 1 All the charges mentioned above include the prevailing concession fee, royalty, airport levy charged by the Airports Operator.
- 2 Tariff determined as above will be maximum tariff to be charged from the users including Non Scheduled Operators (NSOP) for the same type of Aircraft for the ground handling service. No other charges to be levied over and above the approved tariff.
- 3 All the charges mentioned above are excluding statutory taxes and other levies as and when applicable.

